

Federal-State Joint Board on Universal Service CC Docket No. 96-45

**Presentation to the
Wireline Competition Bureau Front Office**

**by
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- Universal service reforms should focus on consumers, the intended beneficiaries of universal service.
- CTIA supports the establishment of voluntary eligible telecommunications carrier (ETC) designation guidelines.
- The FCC must reject proposals that would unlawfully discriminate against competitors in the receipt of high-cost universal service support and would not effectively address broader concerns about fund growth.
- The FCC should consider fundamental reforms to the underlying high-cost universal service mechanisms to better fulfill the Act's universal service goals.

Wireless Carriers Provide Vital Benefits to Rural Consumers

- CMRS providers continue to receive only approx. 7% of high-cost support.
- CMRS providers are the only competitive providers of high-quality, affordable, and facilities-based telecommunications services in rural areas.
- Wireless deployment in rural areas has occurred, in part, because of competitively neutral access to high-cost and low-income universal service support.
- Wireless eligible telecommunications carriers (ETCs) have brought universal service to rural and insular areas that have traditionally been underserved or unserved by incumbent LECs.
- Due to geographic isolation, topography, and other factors, the cost of providing wireless service in rural areas is typically higher than in urban areas.
- To facilitate wireless deployment in rural areas, competitors should have nondiscriminatory access to universal service support.

The Telecommunications Act of 1996

- Section 254: “Consumers in all regions of the Nation . . . should have access to telecommunications and information services . . . that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.”
 - The Act demands sufficient support for *consumers*, the intended beneficiaries of universal service, not *providers*.
 - *Excessive* support can violate the *sufficiency* requirement in the Act.
 - As long as the other requirements of the Act are satisfied, “[t]he act does not guarantee all local telephone providers a sufficient return on investment.”
- Universal service “must treat all market participants equally – for example, subsidies must be portable – so that the market, and not local or federal regulators, determines who shall compete for and deliver services to customers.”
 - The principle of competitive neutrality “is made necessary not only by the realities of competitive markets but also by statute.”

CTIA Supports Voluntary ETC Designation Guidelines

- The FCC and states generally do a good job processing ETC petitions.
- Voluntary guidelines that go no further than Virginia Cellular could aid states in evaluating whether an ETC designation is in the public interest.
- The FCC can and should process ETC petitions more rapidly than in the past.
- The rules should be modified so that competitive ETCs immediately begin receiving support upon designation.
- Any new ETC guidelines should not be retroactively applied to certified ETCs.

The FCC Should Reject Proposals that Discriminate Against Wireless Carriers (cont'd)

- There is no basis for giving competitors less per line support than is available to the incumbent. Such proposals would distort the competitive marketplace and deny consumers the benefits of competitive choice.
- There is no basis for arbitrarily limiting the number of USF recipients in rural areas – which would only reward incumbent LEC inefficiency.
- There is no basis for imposing equal access obligations on all wireless ETCs given the extent of competitive choice in both rural and urban areas.
- There is no basis for refusing to designate competitive ETCs below the study area level.
- Requiring prospective ETCs to demonstrate financial resources is not competitively neutral and is unnecessary.

The FCC Should Focus on Fundamental Reform

- The FCC should consider fundamental reforms to the underlying high-cost universal service mechanisms to better fulfill the Act's universal service goals.
- Problems with the FCC's High-Cost Universal Service Mechanisms:
 - Incentives for incumbent LEC inefficiency.
 - Illogical distribution of support.
 - Impenetrable administrative complexity.

CTIA High-Cost Reform Proposal

- Transition to a single, unified high-cost universal service mechanism based on forward-looking economic costs that reduces the need for universal service subsidies over time, while ensuring that both incumbents and competitors in high-cost areas continue to have competitively-neutral access to support.
- This would mean less support for both incumbents and competitors.
- Ensure that carriers are able to recover losses resulting from this transition from end-user customers (*i.e.*, through higher subscriber line charges or other end-user charges).

CTIA High-Cost Reform Proposal (cont'd)

- Effective July 1, 2006, the FCC should adopt the following short-term measures
 - Move all incumbent LECs, that, along with their affiliates, have 50,000 or more access lines in a state to support based on forward-looking economic costs.
 - Modify the existing embedded cost mechanisms:
 - Remove non-loop costs such as risk-related profits and Corporate Operations Expenses from the high-cost support mechanisms.
 - Reduce the threshold to qualify for local switching support from 50,000 access lines in a state to a lower number and/or limit support to those incumbent LECs with higher than average switching costs.
 - Place a freeze on further growth in embedded high-cost support while the FCC implements long-term reforms.
- Under long-term reform, the FCC should
 - Transition all remaining incumbent LECs to a unified forward-looking high-cost support mechanism.
 - Consider developing a high-cost mechanism that directs equal per-line support to both incumbent and competitive ETCs based on the costs of the most efficient technology in a selected area.
- The FCC must devote adequate resources and set firm deadlines for reform.